



WEINLANDER FITZHUGH

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MERRITT TOWNSHIP BAY COUNTY, MICHIGAN

FINANCIAL STATEMENTS MARCH 31, 2005

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RSM McGladrey Network

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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF MERRITT	County BAY
Audit Date 3/31/05	Opinion Date 5/5/05	Date Accountant Report Submitted to State: 9-21-05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

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SEP 23 2005

LOCAL AUDIT & FINANCE DIV.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH, CPAS			
Street Address 1600 CENTER AVENUE	City BAY CITY	State MI	ZIP 48707-0775
Accountant Signature <i>Stewart J. Reid CPA</i>		Date 9/21/05	

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INDEPENDENT AUDITORS' REPORT

May 5, 2005

Township Board
Township of Merritt
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Merritt, Bay County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the Township of Merritt as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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WEINLANDER FITZHUGH

Township Board
Township of Merritt
May 5, 2005
Page 2

The accompanying management's discussion and analysis and budgetary comparison information, as identified in the index, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Merritt Township's basic financial statements. The accompanying other supplemental information, as identified in the index, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Weinlander Fitzhugh

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Our discussion and analysis of the Township of Merritt's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Township of Merritt financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the Government-wide financial statements for the Township's water operations. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee.

The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund and Road Construction Fund (Required Supplemental Information)

Other Supplemental Information

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2005

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Township.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's three types of funds, Governmental, Proprietary and Fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the Township's activities are reported in Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The Governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between Governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental funds is reconciled in the basic financial statements.

Proprietary Funds

These funds are reported in fund financial statements and generally report services for which the Township charges a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the Government-wide statements.

This fund presents the Township's water operations that are managed by the Bay County Department of Water and Sewer. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the system for the calendar year 2005.

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections and (other funds). All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We excluded these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Government-wide Financial Analysis

Financial position - The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of March 31, 2005 and 2004.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets						
Current and other assets	\$ 1,497,000	\$ 1,365,000	\$ 144,000	\$ 133,000	\$ 1,641,000	\$ 1,498,000
Capital assets - net of accumulated depreciation	305,000	304,000	3,786,000	3,756,000	4,091,000	4,060,000
Total assets	<u>1,802,000</u>	<u>1,669,000</u>	<u>3,930,000</u>	<u>3,889,000</u>	<u>5,732,000</u>	<u>5,558,000</u>
Liabilities						
Current liabilities	11,000	24,000	247,000	234,000	258,000	258,000
Long-term liabilities	0	0	3,019,000	3,086,000	3,019,000	3,086,000
Total liabilities	<u>11,000</u>	<u>24,000</u>	<u>3,266,000</u>	<u>3,320,000</u>	<u>3,277,000</u>	<u>3,344,000</u>
Net Assets						
Invested in property and equipment - net of related debt	305,000	304,000	542,000	457,000	847,000	761,000
Restricted	774,000	700,000	0	0	774,000	700,000
Unrestricted	712,000	641,000	122,000	112,000	834,000	753,000
Total net assets	<u>\$ 1,791,000</u>	<u>\$ 1,645,000</u>	<u>\$ 664,000</u>	<u>\$ 569,000</u>	<u>\$ 2,455,000</u>	<u>\$ 2,214,000</u>

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Exhibit A , on the previous page, focuses on net assets. The Township's total net assets were \$2,455,000 at March 31, 2005. Capital assets net of related debt, totaling \$847,000 compares the original costs, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net assets of \$774,000 are reported separately to show legal constraints from debt requirements and legislation that limit the Township's ability to use those net assets for day-to-day operations.

The \$834,000 of unrestricted net assets of Governmental and business-type activities represents the *accumulated* results of all past years' operations. The operating results of the General, Special Revenue, Debt Service, Capital Projects and Enterprise Funds will have a significant impact on the change in unrestricted net assets from year to year.

Results of operations - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net assets for the year ended March 30, 2005. Exhibit B provides a summary of the Township's operations for March 30, 2005 and 2004.

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Exhibit B

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue						
Program revenue:						
Charges for services	\$ 25,000	\$ 28,000	\$ 431,000	\$ 414,000	\$ 456,000	\$ 442,000
Grants and contributions	6,000	6,000	0	0	6,000	6,000
General revenue:						0
Property taxes	684,000	577,000	0	0	684,000	577,000
State revenue sharing	107,000	113,000	0	0	107,000	113,000
Interest and investment earnings	14,000	12,000	1,000	0	15,000	12,000
Other	30,000	89,000	0	0	30,000	89,000
Total revenue	<u>866,000</u>	<u>825,000</u>	<u>432,000</u>	<u>414,000</u>	<u>1,298,000</u>	<u>1,239,000</u>
Function/Program Expenses						
General government	157,000	158,000	0	0	157,000	158,000
Public safety	59,000	65,000	0	0	59,000	65,000
Highways, streets and bridges	110,000	102,000	0	0	110,000	102,000
Recreation and culture	1,000	500	0	0	1,000	500
Drain at large	8,000	9,000	0	0	8,000	9,000
Sanitation	61,000	59,000	0	0	61,000	59,000
Protective inspections	12,000	7,000	0	0	12,000	7,000
Other	0	73,000	0	0	0	73,000
Payment to Enterprise Fund	312,000	315,000	0	0	312,000	315,000
Water and sewer	0	0	337,000	397,000	337,000	397,000
Total expenses	<u>720,000</u>	<u>788,500</u>	<u>337,000</u>	<u>397,000</u>	<u>1,057,000</u>	<u>1,185,500</u>
Increase (Decrease) in Net Assets	<u>\$ 146,000</u>	<u>\$ 36,500</u>	<u>\$ 95,000</u>	<u>\$ 17,000</u>	<u>\$ 241,000</u>	<u>\$ 53,500</u>

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2005

As reported in the statement of activities, the cost of all of our *Governmental and Business-type* activities this year was \$1,057,000. Certain activities were partially funded by \$456,000 from those who benefited from the programs, or by the other Townships and organizations that subsidized certain programs with contributions of \$6,000. We paid for the remaining "public benefit" portion of our Governmental and business-type activities with \$684,000 in taxes, \$107,000 in State revenue sharing, and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced an increase in net assets of \$241,000 mainly due to receiving bond proceeds for the construction of Water District I and advance payments made by residents of this new water district.

The Township's Funds

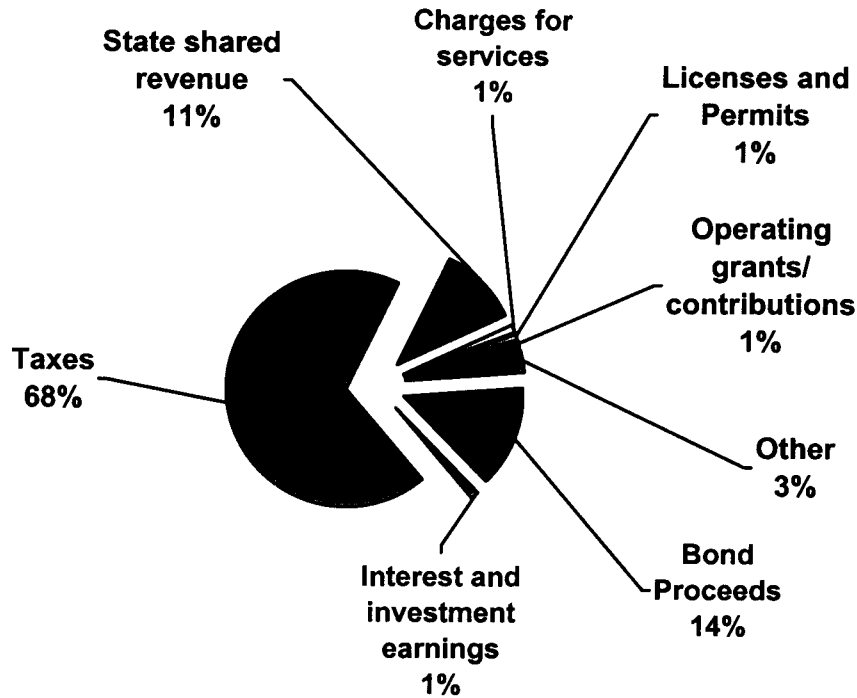
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's Governmental funds reported a combined fund balance of \$1.48 million, which is above last year's total of \$1.34 million. The schedule below details the fund balance and the total change in fund balances as of March 31, 2005 and 2004.

	<u>Fund Balance</u> <u>March 31, 2005</u>	<u>Fund Balance</u> <u>March 31, 2004</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	\$ 337,000	\$ 334,000	\$ 3,000
Special Revenue funds	374,000	307,000	67,000
Debt Service funds	771,000	697,000	74,000
Capital Projects fund	3,000	4,000	(1,000)
Total	<u>\$ 1,485,000</u>	<u>\$ 1,342,000</u>	<u>\$ 143,000</u>

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2005

The graph below details the major sources of the Township's revenues.



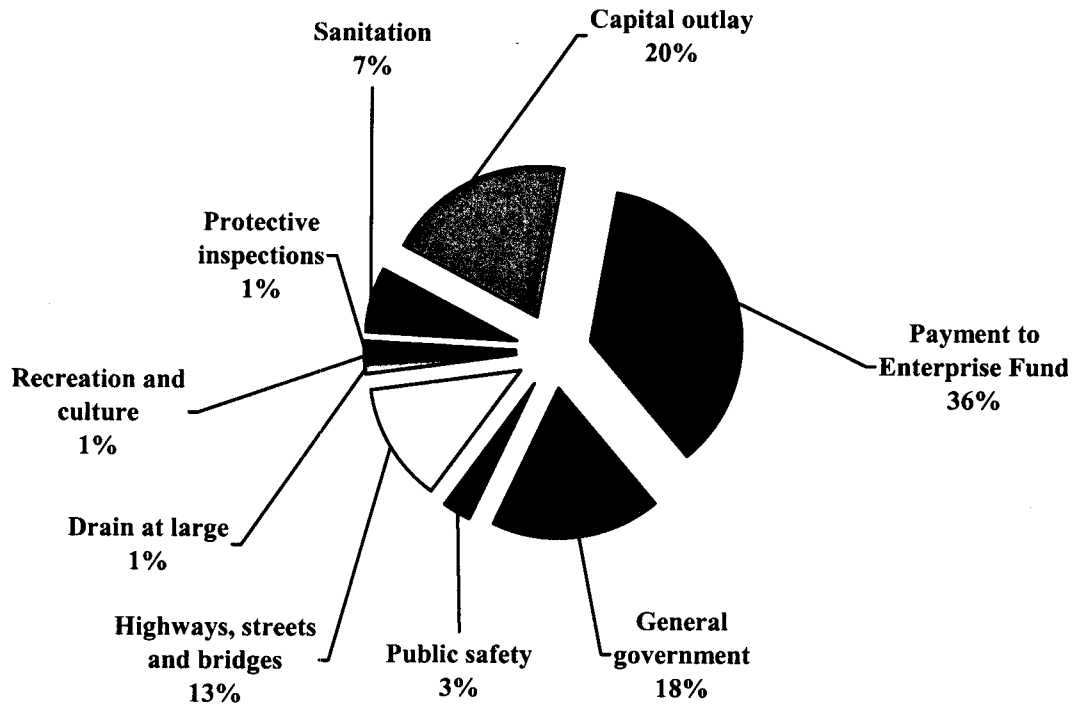
The chart below compares current year revenues with last year.

	2005 Amount	2004 Amount	Percentage Change
<i>Revenues by Function</i>			
Taxes	\$ 684,000	\$ 577,000	19%
State shared revenue	107,000	113,000	-5%
Charges for services	13,000	16,000	-19%
Licences and permits	12,000	12,000	0%
Operating grants/contributions	5,500	6,000	-8%
Interest and investment earnings	14,000	12,000	17%
Proceeds from issuance of debt	140,000	40,000	250%
Other	30,000	49,000	-39%
Total	<u>\$ 1,005,500</u>	<u>\$ 825,000</u>	<u>22%</u>

Revenues are up \$180,500 or 22% mainly due to the receipt of bond proceeds for the construction of Water District I and advance payments made by residents of this new water district.

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2005

The graph below details the major expenditure categories of the Township.



The chart below compares current year expenditures with last year.

	2005 Amount	2004 Amount	Percentage Change
<i>Expenditures by Function</i>			
General Government	\$ 152,000	\$ 153,000	-1%
Public Safety	29,000	31,000	-6%
Highways, streets, and bridges	110,000	102,000	8%
Drain at large	8,000	9,000	-11%
Sanitation	61,000	59,000	3%
Capital outlay	175,000	23,000	661%
Recreation and culture	1,000	500	100%
Protective inspections	12,000	7,500	60%
Other	0	73,000	-100%
Payment to Enterprise Fund	312,000	315,000	-1%
Total	<u>\$ 860,000</u>	<u>\$ 773,000</u>	<u>11%</u>

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Expenditures are up \$87,000 from the prior year mostly due to the construction of Water District I, the construction of ½ of a walking trail, the addition of 529 feet of sidewalk and basin repairs by the bulk water tower.

Water System Fund -The Township's Proprietary fund (the Bay County DWS Merritt-Portsmouth Water Enterprise Fund) reported net assets of \$664,000, which is an increase of \$95,000 over last year's net assets of \$569,000. Operating revenues exceeded operating expenses for the year.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Actual revenues exceeded budgeted revenues by approximately \$30,500 during the fiscal year. The excess is mostly due to the fact that State Shared Revenue was not reduced as significantly as anticipated when the budget was prepared. Also, hall rentals were up due to an increase in demand for rentals and reimbursements were up due to proceeds received for an insurance claim for water damage.
- Actual expenditures for the year were approximately \$58,000 less than anticipated mainly in the general government area. This was because new required voting equipment was paid for by the State rather than from the Township. Also, not as many repairs were needed as was anticipated for buildings and grounds.

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Capital Assets

At March 31, 2005, the Township had \$4.1 million invested in a broad range of capital assets, including land, buildings, furniture, equipment and water systems. This amount represents a net increase (including additions and disposals) of approximately \$31,000, or 1%, from last year.

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	\$ 93,500	\$ 93,500	\$ 0	\$ 0	\$ 93,500	\$ 93,500
Buildings and improvements	778,069	742,874	0	0	778,069	742,874
Vehicles	341,585	341,585	0	0	341,585	341,585
Machinery and equipment	112,189	112,189	0	0	112,189	112,189
Water system	0	0	4,631,000	4,489,467	4,631,000	4,489,467
 Total capital assets	 1,325,343	 1,290,148	 4,631,000	 4,489,467	 5,956,343	 5,779,615
 Less accumulated depreciation	 1,020,319	 986,617	 844,814	 733,108	 1,865,133	 1,719,725
 Net capital assets	 <u>\$ 305,024</u>	 <u>\$ 303,531</u>	 <u>\$ 3,786,186</u>	 <u>\$ 3,756,359</u>	 <u>\$ 4,091,210</u>	 <u>\$ 4,059,890</u>

This year's additions of \$35,195 included installation of a portion of the walking trail, installation of 529 feet of sidewalk and other improvements. No debt was issued for these improvements.

We present more detailed information about our capital assets in the notes to the financial statements. We anticipate capital additions next year will be as follows:

Install remaining half of Walking Trail	\$ 27,000
Construction of waterline in District J	129,000

Merritt Township
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Debt

At the end of this year, the Township had \$3.3 million in long-term debt outstanding versus \$3.4 in the previous year – a change of 1.7%. All of the Township's debt is related to water system improvements and is reported in the proprietary fund as the Bay County Department of Water and Sewer Merritt-Portsmouth Enterprise Fund. This debt is summarized as follows:

	<u>2005</u>	<u>2004</u>
Revenue Bonds	\$ 191,100	\$ 205,100
Special Assessment Bonds	3,119,096	3,161,698
	<u>\$ 3,310,196</u>	<u>\$ 3,366,798</u>

The Township's General Obligation Bond rating continues to be equivalent to the State's credit rating. We are anticipating issuing debt next year to finance the waterline construction in District J.

Factors Expected to Have an Effect on Future Operations

The funding level of state revenue sharing is uncertain, as the State of Michigan continues to use this as a means to balance the state budget.

At the August 2004 Primary, Township voters passed a Fire Millage of 1.5 mills to take effect December 1, 2005 through December 1, 2009.

Contacting The Township's Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact the Township Clerk's Office at 48 East Munger Road, Munger, MI 48747

Merritt Township
Statement of Net Assets
March 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and investments	\$ 1,447,856	\$ 98,281	\$ 1,546,137
Receivables:			
Accounts receivable	0	44,705	44,705
Accrued interest receivable	0	225	225
Prepaid expenses	0	310	310
Taxes receivable	48,569	0	48,569
Capital assets less accumulated depreciation of \$1,865,133	305,024	3,786,186	4,091,210
Total assets	1,801,449	3,929,707	5,731,156
<u>Current Liabilities</u>			
Bonds payable	0	206,996	206,996
Accounts payable	9,816	16,287	26,103
Accrued interest payable	0	22,675	22,675
Hall security deposit	1,100	489	1,589
Compensated absences	0	764	764
Total current liabilities	10,916	247,211	258,127
<u>Long-term Liabilities</u>			
Compensated absences	0	4,332	4,332
Bonds payable	0	3,014,142	3,014,142
Total long-term liabilities	0	3,018,474	3,018,474
Total liabilities	10,916	3,265,685	3,276,601
<u>Net Assets</u>			
Investment in capital assets - net of related debt	305,024	542,373	847,397
Restricted for debt service	771,419	0	771,419
Restricted for capital projects	3,274	0	3,274
Unrestricted	710,816	121,649	832,465
Total net assets	\$ 1,790,533	\$ 664,022	\$ 2,454,555

See accompanying notes to financial statements.

Merritt Township
Statement of Activities
For the Year Ended March 31, 2005

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants/Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
General government	\$ 156,929	\$ 12,780	\$ 0	\$ (144,149)	\$ 0	\$ (144,149)
Public safety	58,650	0	0	(58,650)	0	(58,650)
Highways streets and bridges	109,710	0	0	(109,710)	0	(109,710)
Recreation and culture	1,044	0	5,500	4,456	0	4,456
Drain at large	8,431	0	0	(8,431)	0	(8,431)
Sanitation	61,310	0	0	(61,310)	0	(61,310)
Protective inspections	12,161	11,809	0	(352)	0	(352)
Other	124	0	0	(124)	0	(124)
Payment to Enterprise Fund	311,613	0	0	(311,613)	0	(311,613)
Total governmental activities	719,972	24,589	5,500	(689,883)	0	(689,883)
Business-type activities:						
Water	337,393	430,645	0	0	93,252	93,252
Total business-type activities	337,393	430,645	0	0	93,252	93,252
Total	\$ 1,057,365	\$ 455,234	\$ 5,500	(689,883)	93,252	(596,631)
General revenues:						
Taxes				684,363	0	684,363
State shared revenue				107,214	0	107,214
Interest and investment earnings				14,210	1,388	15,598
Other				30,106	0	30,106
Total general revenues				835,893	1,388	837,281
Change in net assets				146,010	94,640	240,650
Net assets - beginning of year				1,644,523	569,382	2,213,905
Net assets - end of year				\$ 1,790,533	\$ 664,022	\$ 2,454,555

See accompanying notes to financial statements.

Merritt Township
Governmental Funds
Balance Sheet
March 31, 2005

	Special Revenue Fund		Debt Service Funds		Capital Projects Funds	Other Nonmajor Governmental Funds	Total
	General	Road Construction Fund	Water A & B	Water C,D&E	Capital Projects		
Cash and investments	\$ 338,452	\$ 207,516	\$ 393,095	\$ 256,268	\$ 3,274	\$ 249,251	\$ 1,447,856
Receivables:							
Taxes receivable	4,157	7,240	11,160	15,084	0	10,928	48,569
Total assets	\$ 342,609	\$ 214,756	\$ 404,255	\$ 271,352	\$ 3,274	\$ 260,179	\$ 1,496,425
<u>LIABILITIES AND FUND BALANCE</u>							
<u>Liabilities</u>							
Accounts payable	\$ 4,232	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,584	\$ 9,816
Hall security deposits	1,100	0	0	0	0	0	1,100
Total liabilities	5,332	0	0	0	0	5,584	10,916
<u>Fund Balance</u>							
Undesignated	337,277	214,756	404,255	271,352	3,274	254,595	1,485,509
Total liabilities and fund balance	\$ 342,609	\$ 214,756	\$ 404,255	\$ 271,352	\$ 3,274	\$ 260,179	\$ 1,496,425

See accompanying notes to financial statements.

Merritt Township
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
March 31, 2005

Total fund balance - governmental funds			\$ 1,485,509
Amounts reported for governmental activities in the statements of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
Cost of the capital assets	\$ 1,325,343		
Accumulated depreciation	<u>(1,020,319)</u>	<u>305,024</u>	
Total net assets - governmental activities			<u>\$ 1,790,533</u>

See accompanying notes to financial statements.

Merritt Township
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended March 31, 2005

	Special Revenue Fund		Debt Service Funds			Capital Projects Fund		Other Nonmajor Governmental Funds	Total
	General	Road Construction Fund	Water A & B	Water C,D&E	Capital Projects				
Revenues									
Taxes	\$ 75,834	\$ 127,315	\$ 145,147	\$ 159,595	\$ 0	\$ 0	\$ 176,472	\$ 684,363	
State shared revenue	105,791	0	0	0	0	0	1,423	107,214	
Charges for services	12,780	0	0	0	0	0	0	12,780	
Interest	7,614	0	4,558	1,900	4	0	134	14,210	
Licenses and permits	0	0	0	0	0	0	11,809	11,809	
Other	21,110	2,965	0	2,700	73	0	8,758	35,606	
Total revenues	223,129	130,280	149,705	164,195	77	0	198,596	865,982	
Expenditures									
General government	152,435	0	0	0	0	0	0	152,435	
Public safety	26,801	0	0	0	0	0	2,641	29,442	
Highways, streets and bridges	12,373	97,337	0	0	0	0	0	109,710	
Drain at large	8,431	0	0	0	0	0	0	8,431	
Recreation activities	0	0	0	0	0	0	1,044	1,044	
Protective inspections	0	0	0	0	0	0	12,161	12,161	
Sanitation	280	0	0	0	0	0	61,030	61,310	
Other	50	0	74	0	0	0	0	124	
Capital outlay	8,667	0	0	0	140,000	0	26,528	175,195	
Payment to Enterprise Fund for debt service	0	0	82,722	191,382	0	0	37,509	311,613	
Total expenditures	209,037	97,337	82,796	191,382	140,000	0	140,913	861,465	
Excess of revenues over (under) expenditures	14,092	32,943	66,909	(27,187)	(139,923)	0	57,683	4,517	
Other Financing Sources (Uses)									
Proceeds from issuance of debt	0	0	0	0	140,000	0	0	140,000	
Operating transfers in from other funds	0	0	0	0	0	0	31,053	31,053	
Operating transfers out to other funds	(10,530)	0	0	0	(523)	0	(20,000)	(31,053)	
Total other financing sources (uses)	(10,530)	0	0	0	139,477	0	11,053	140,000	
Net change in fund balance	3,562	32,943	66,909	(27,187)	(446)	0	68,736	144,517	
Fund balance - beginning of year	333,715	181,813	337,346	298,539	3,720	0	185,859	1,340,992	
Fund balance - end of year	\$ 337,277	\$ 214,756	\$ 404,255	\$ 271,352	\$ 3,274	\$ 0	\$ 254,595	\$ 1,485,509	

See accompanying notes to financial statements.

Merritt Township
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005

Net change in fund balance - total governmental funds	\$ 144,517
Amounts reported for governmental activities in the statements of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(33,702)
Capital outlay	35,195
Capital outlay - water lines	140,000
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Proceeds from long-term debt	<u>(140,000)</u>
Change in net assets of governmental activities	<u><u>\$ 146,010</u></u>

See accompanying notes to financial statements.

Merritt Township
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended March 31, 2005

Gross service charges	\$ 176,005
Water costs	<u>58,452</u>
Gross profit	<u>117,553</u>
Operating revenues:	
Service connections	19,058
Charges, fees, etc.	<u>1,481</u>
Total operating revenues	<u>20,539</u>
Operating expenses:	
Personal services	44,874
Utilities	1,837
Operation and maintenance	11,743
Administration	5,688
Fiscal and other charges	6,577
Depreciation	<u>111,706</u>
Total operating expenses	<u>182,425</u>
Operating income (loss)	(44,333)
Nonoperating revenues (expenses):	
Interest income	1,388
Interest expense	(152,690)
Payment by local unit	292,553
Payment to local unit	<u>(2,278)</u>
Changes in net assets	94,640
Net assets - beginning of year	<u>569,382</u>
Net assets - end of year	<u><u>\$ 664,022</u></u>

See accompanying notes to financial statements

Merritt Township
Statement of Cash Flows
Proprietary Fund
For the Year Ended March 31, 2005

Cash flows from operating activities:	
Cash received from customers	\$ 173,903
Cash payments to suppliers for goods and services	(78,946)
Cash payments to employees for services	(44,654)
Other operating income	<u>16,331</u>
Net cash provided by operating activities	<u>66,634</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(194,255)
Interest paid on long-term debt	(139,588)
Proceeds from long-term debt	140,000
Acquisition and construction of capital assets	(104,025)
Payments from local units	<u>238,258</u>
Net cash (used) by capital and related financing activities	<u>(59,610)</u>
Cash flows from investing activities:	
Interest and investment earnings	<u>1,220</u>
Net increase in cash and cash equivalents	8,244
Cash and cash equivalents, beginning of year	<u>90,037</u>
Cash and cash equivalents, end of year	<u><u>\$ 98,281</u></u>

Reconciliation of Operating Income To Net Cash Provided by Operating Activities

Operating income (loss)	\$ (44,333)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	111,706
Changes in assets and liabilities:	
Accounts receivable	(2,102)
Prepaid expenses	(20)
Accounts payable	1,163
Accrued liabilities	<u>220</u>
Net cash provided by operating activities	<u><u>\$ 66,634</u></u>

See accompanying notes to financial statements

Merritt Township
Statement of Fiduciary Net Assets
March 31, 2005

		<u>Tax Fund</u>
	<u>ASSETS</u>	
Cash and investments		<u>\$ 1,725</u>
	<u>LIABILITIES</u>	
Due to other governmental units		<u>\$ 1,725</u>

See accompanying notes to financial statements.

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Merritt conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Merritt.

Reporting Entity

The Township of Merritt is governed by an elected five member council (Board). The accompanying financial statements present the financial position and results of operations for the Township and its component units, entities for which the government is considered to be financially accountable.

These statements also include the water system managed by the Bay County Department of Water and Sewer on behalf of the Township. GASB #34 now requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the system for the calendar year 2004. This fund is the Township's only proprietary fund.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Government reports the following major governmental funds:

General Fund - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Road Construction Fund – The Road Construction Fund is used to record transactions relative to the repairs and upgrades to existing roads of the Township.

Water A & B – The Water A & B Fund is used to record transaction for the funding and payment of principal and interest of certain water main improvements.

Water C, D & E – The Water C, D & E Fund is used to record transactions for the funding and payment of principal and interest of certain water main improvements.

Capital Projects Fund - The capital projects fund is used to record transactions for the construction of water lines.

Bay County Department of Water and Sewer Merritt-Portsmouth Enterprise Fund – This fund accounts for the activities of providing water service to the public. These activities are managed by the Bay County Department of Water and Sewer on behalf of the Township. This fund is the Township's only proprietary fund.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets – Capital assets, which include land, buildings, equipment and infrastructure assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 40 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Land, building, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	15 to 40 Years
Building improvements	15 to 20 Years
Water systems	40 Years
Vehicles	7 to 12 Years
Machinery and equipment	5 to 7 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

The Township of Merritt follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's supervisor submits to the Board a proposed budget prior to April 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund and Road Construction Fund is presented as Required Supplemental Information.

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Government is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	<u>\$ 1,447,856</u>	<u>\$ 98,281</u>	<u>\$ 1,725</u>	<u>\$ 1,547,862</u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	\$ 1,447,102
Investments	100,610
Petty cash and cash on hand	<u>150</u>
Total	<u>\$ 1,547,862</u>

The bank balance of the Township's deposits is \$1,431,080, of which \$656,738 is covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the Township's investment balances not subject to categorization were as follows:

Merrill Lynch Money Market Mutual Funds	<u>\$ 100,610</u>
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Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated				
Land	\$ 93,500	\$ 0	\$ 0	\$ 93,500
Capital assets being depreciated:				
Buildings and improvements	742,874	35,195	0	778,069
Vehicles	341,585	0	0	341,585
Machinery and equipment	112,189	0	0	112,189
Subtotal	<u>1,196,648</u>	<u>35,195</u>	<u>0</u>	<u>1,231,843</u>
Less accumulated depreciation for:				
Buildings and improvements	673,094	3,638	0	676,732
Vehicles	224,345	19,942	0	244,287
Machinery and equipment	89,178	10,122	0	99,300
Subtotal	<u>986,617</u>	<u>33,702</u>	<u>0</u>	<u>1,020,319</u>
Net capital assets being depreciated	<u>210,031</u>	<u>1,493</u>	<u>0</u>	<u>211,524</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 303,531</u>	<u>\$ 1,493</u>	<u>\$ 0</u>	<u>\$ 305,024</u>
<u>Business-type activities:</u>				
Capital assets being depreciated:				
Water system	\$ 4,489,467	\$ 141,533	\$ 0	\$ 4,631,000
Less accumulated depreciation for:				
Water system	<u>733,108</u>	<u>111,706</u>	<u>0</u>	<u>844,814</u>
Business-type activities, total capital assets, net of depreciation	<u>\$ 3,756,359</u>	<u>\$ 29,827</u>	<u>\$ 0</u>	<u>\$ 3,786,186</u>

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 4,494
Public safety	<u>29,208</u>
Total governmental activities depreciation expense	<u>\$ 33,702</u>
Business-type activities:	
Water	<u>\$ 111,706</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of transfers at March 31, 2005 is shown below. There were no interfund receivables or payables at March 31, 2005.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 0	\$ 10,530
Recreation Fund	10,000	0
Liquor Law Enforcement	530	0
Water F,G,&H	20,000	0
Water Blumfield	0	20,000
Capital Projects Fund	0	523
Water I	<u>523</u>	<u>0</u>
	<u>\$ 31,053</u>	<u>\$ 31,053</u>

Transfers are used to (1) supplement operational costs, and (2) reflect funding support for debt service.

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 6- LONG-TERM DEBT

All of the Township's debt is related to water system improvements and is reported in the proprietary fund as the Bay County Department of Water and Sewer Merritt-Portsmouth Enterprise Fund. The following detail shows what is owed by the Township, but does not agree exactly to the financial statements because (1) the amounts are reported as of December 31, 2004, and (2) a percentage allocation was applied to the total DWS amounts to arrive at Merritt's portion. The difference is not significant.

All of the Township's debt is considered special assessment bonds except for the 1977 bond issue, which is a revenue bond. The Township has pledged its full faith and credit for the special assessment bonds.

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 6- LONG-TERM DEBT (CONTINUED)

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
1977 Merritt-Portsmouth Water Extension Bonds, due in annual installments through 2016 with an interest rate of 5%. The bonds are being repaid by customer charges.	\$ 205,100	\$ (14,000)	\$ 191,100
1998 Merritt-Portsmouth Townships Water Extension General Obligation Bonds, dated July 1, 1998, due in annual installments through May 1, 2018, bearing interest rates of 4.7% to 4.75%.	972,698	(59,602)	913,096
2000 Merritt Township Water Extension General Obligation Bonds, dated September 1, 2000, due in annual installments through November 1, 2020, bearing interest rates of 4.85% to 5.25%.	1,855,000	(100,000)	1,755,000
2002 Installment Purchase Agreement, due in annual installments through November 1, 2017, bearing interest rate of 5.9%.	100,000	(8,000)	92,000
2002 Special Assessment Water Bonds, due in semi-annual installments through November 1, 2017, bearing interest rates of 2.45% to 5.15%.	194,000	(13,000)	181,000
2003 Installment Purchase Agreement, due in annual installments through November 1, 2017, bearing interest rate of 4.59%.	40,000	(2,000)	38,000
2004 Installment Purchase Agreement, due in annual installments through September 2019, bearing interest rate of 4.11%.	<u>0</u>	<u>140,000</u>	<u>140,000</u>
Total	<u>\$ 3,366,798</u>	<u>\$ (56,602)</u>	<u>\$ 3,310,196</u>

Merritt Township
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Long-term obligation activity can be summarized as follows:

	Balance April 1, 2004	Additions	Retirements and Payments	Balance March 31, 2005	Amount Due Within One Year
Bonds	<u>\$3,366,798</u>	<u>\$ 140,000</u>	<u>\$ (196,602)</u>	<u>\$3,310,196</u>	<u>\$ 204,909</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 204,909	\$ 152,350
2007	208,580	143,127
2008	215,281	133,630
2009	216,980	123,942
2010	224,702	113,974
2011-2015	1,132,241	414,403
2016-2020	992,503	146,513
2021	<u>115,000</u>	<u>3,019</u>
Total	<u>\$ 3,310,196</u>	<u>\$ 1,230,958</u>

NOTE 7 – PENSION PLAN

The Township provides pension benefits through a defined contribution plan with Manulife Financial. The Township contributes 15% of compensation for eligible employees. The Township's pension expense for the year ended March 31, 2005 amounted to \$6,702.

Merritt Township
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 71,957	\$ 71,957	\$ 75,834	\$ 3,877
Licenses and permits	100	100	0	(100)
State shared revenue	89,440	89,440	105,791	16,351
Charges for services	14,100	14,100	12,780	(1,320)
Investment income	6,000	6,000	7,614	1,614
Miscellaneous revenues	11,000	11,000	21,110	10,110
Total revenues	192,597	192,597	223,129	30,532
<u>Expenditures</u>				
General government	190,683	190,673	152,435	38,238
Public safety	43,250	43,250	26,801	16,449
Highways, street and bridges	8,000	13,700	12,373	1,327
Drain at large	10,000	10,000	8,431	1,569
Sanitation	1,080	1,080	280	800
Other charges	0	0	50	(50)
Capital outlay	8,667	8,667	8,667	0
Total expenditures	261,680	267,370	209,037	58,333
Excess (deficiency) of revenues over expenditures	(69,083)	(74,773)	14,092	88,865
<u>Other Financing (Uses)</u>				
Operating transfers in (out) to other funds	41,054	(10,530)	(10,530)	0
Net change in fund balance	(28,029)	(85,303)	3,562	88,865
Fund balance - beginning of year	292,855	260,695	333,715	73,020
Fund balance - end of year	\$ 264,826	\$ 175,392	\$ 337,277	\$ 161,885

Merritt Township
Required Supplemental Information
Budgetary Comparison Schedule - Road Construction Fund
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 123,962	\$ 123,962	\$ 127,315	\$ 3,353
Miscellaneous revenues	800	800	2,965	2,165
Total revenues	<u>124,762</u>	<u>124,762</u>	<u>130,280</u>	<u>5,518</u>
<u>Expenditures</u>				
Highways, street and bridges	152,000	299,871	97,337	202,534
Contingency	<u>148,538</u>	<u>667</u>	<u>0</u>	<u>667</u>
Total expenditures	<u>300,538</u>	<u>300,538</u>	<u>97,337</u>	<u>203,201</u>
Excess (deficiency) of revenues over expenditures	(175,776)	(175,776)	32,943	208,719
Fund balance - beginning of year	<u>7,025</u>	<u>189,482</u>	<u>181,813</u>	<u>(7,669)</u>
Fund balance - end of year	<u>\$ (168,751)</u>	<u>\$ 13,706</u>	<u>\$ 214,756</u>	<u>\$ 201,050</u>

Merritt Township
Other Supplemental Information
Combining Balance Sheet -
Nonmajor Governmental Funds
March 31, 2005

	Special Revenue Funds					Debt Service Funds				
	Liquor Law Enforcement Fund	Garbage and Rubbish Collection Fund	Fire Equipment Fund	Recreation Fund	Inspection Fund	Budget Stabilization Fund	Water F.G&H	Water Blumfield	Water I	Totals
ASSETS										
Cash and investments	\$ 144	\$ 85,172	\$ 36,517	\$ 4,545	\$ 6,882	\$ 23,209	\$ 34,580	\$ 18,968	\$ 39,234	\$ 249,251
Taxes receivable	0	5,484	2,414	0	0	0	3,030	0	0	10,928
Total assets	\$ 144	\$ 90,656	\$ 38,931	\$ 4,545	\$ 6,882	\$ 23,209	\$ 37,610	\$ 18,968	\$ 39,234	\$ 260,179
LIABILITIES AND FUND BALANCE										
Liabilities										
Accounts payable	\$ 0	\$ 5,202	\$ 0	\$ 0	\$ 382	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,584
Fund Balance										
Undesignated	144	85,454	38,931	4,545	6,500	23,209	37,610	18,968	39,234	254,595
Total Liabilities and Fund Balance	\$ 144	\$ 90,656	\$ 38,931	\$ 4,545	\$ 6,882	\$ 23,209	\$ 37,610	\$ 18,968	\$ 39,234	\$ 260,179

Merritt Township
Other Supplemental Information
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balance - Nonmajor Governmental Funds
For the Year Ended March 31, 2005

	Special Revenue Funds					Debt Service Funds				
	Liquor Law Enforcement Fund	Garbage and Rubbish Collection Fund	Fire Equipment Fund	Recreation Fund	Inspection Fund	Budget Stabilization Fund	Water F.G&H	Water Blumfield	Water I	Totals
Revenues										
Taxes	\$ 0	\$ 65,314	\$ 42,444	\$ 0	\$ 0	\$ 0	\$ 22,804	\$ 7,268	\$ 38,642	\$ 176,472
State shared revenue	1,423	0	0	0	0	0	0	0	0	1,423
Interest	0	0	0	0	0	0	27	38	69	134
Other	0	0	0	5,500	0	0	3,258	0	0	8,758
Licenses and permits	0	0	0	0	11,809	0	0	0	0	11,809
Total revenues	1,423	65,314	42,444	5,500	11,809	0	26,089	7,306	38,711	198,596
Expenditures										
Public safety	2,641	0	0	0	0	0	0	0	0	2,641
Recreation activities	0	0	0	1,044	0	0	0	0	0	1,044
Protective inspections	0	0	0	0	12,161	0	0	0	0	12,161
Sanitation	0	61,030	0	0	0	0	0	0	0	61,030
Capital outlay	0	0	0	26,528	0	0	0	0	0	26,528
Payment to Enterprise Fund for debt service	0	0	0	0	0	0	37,509	0	0	37,509
Total expenditures	2,641	61,030	0	27,572	12,161	0	37,509	0	0	140,913
Excess of revenues over (under) expenditures	(1,218)	4,284	42,444	(22,072)	(352)	0	(11,420)	7,306	38,711	57,683
Other Financing Sources										
Operating transfers in	530	0	0	10,000	0	0	20,000	0	523	31,053
Operating transfers (out)	0	0	0	0	0	0	0	(20,000)	0	(20,000)
Total other financing sources	530	0	0	10,000	0	0	20,000	(20,000)	523	11,053
Net change in fund balance	(688)	4,284	42,444	(12,072)	(352)	0	8,580	(12,694)	39,234	68,736
Fund balance - beginning of year	832	81,170	(3,513)	16,617	6,852	23,209	29,030	31,662	0	185,859
Fund balance - end of year	\$ 144	\$ 85,454	\$ 38,931	\$ 4,545	\$ 6,500	\$ 23,209	\$ 37,610	\$ 18,968	\$ 39,234	\$ 254,595